Project Management Institute

Portfolio Management

The Bridge between Strategy and Execution

Overview ofPortfolio Management

- Strategy & Strategic Initiative Management
- Portfolio Management
- PMI Resources for Portfolio Management

AGEND A

Strategy

- A method or plan chosen to bring about a desired future, such as achievement of a goals or solutions to problems.
- The art and science of planning and marshalling resources for their most efficient and effective use. The term is derived from the Greek word for generalship or leading an army.
- Wharton says: A business strategy is the means by which an entity sets out to achieve its desired ends (objectives). It can simply be described as a long-term business planning.
- **Executive Management must clearly articulate the strategic initiatives … they must create and communicate a sufficiently detailed strategy.(1)**

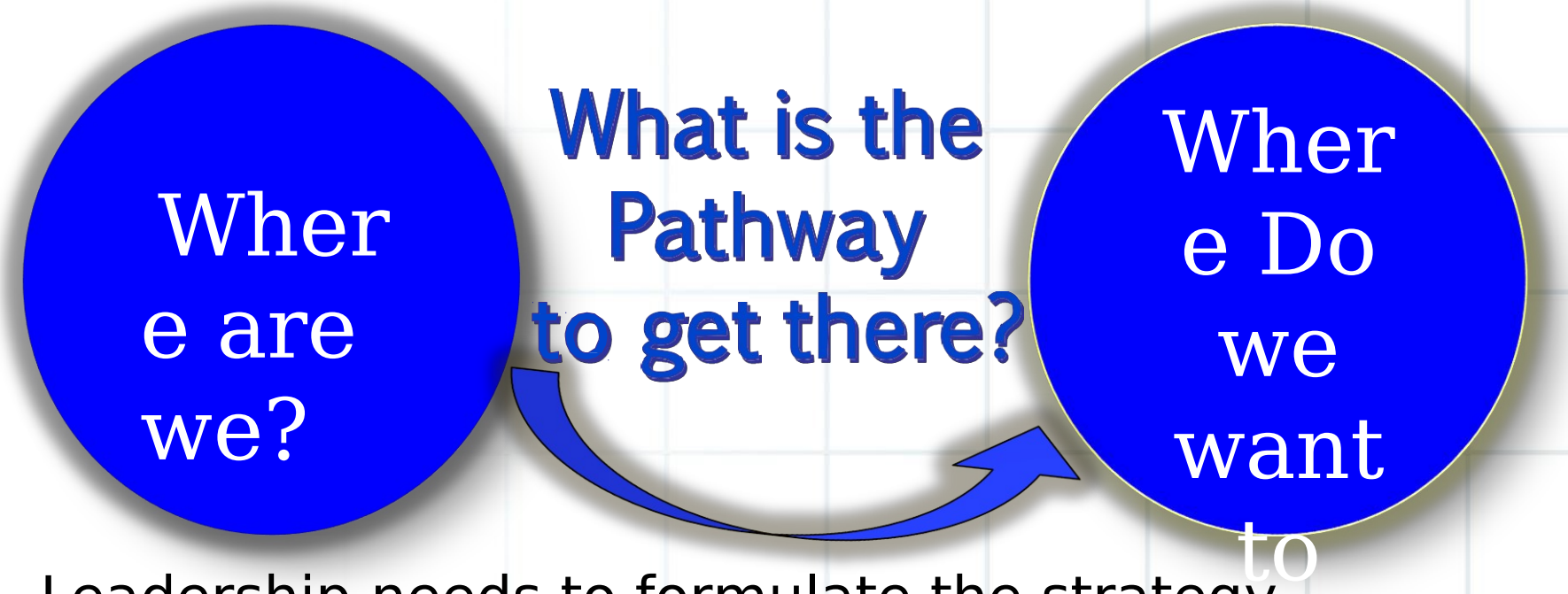
1.) Source: Implementing the Project Portfolio: A Vital C-Suite Focus by the Economist Intelligence Unit & PMI

Strategic Initiative

Strategic Initiative is defined “as a project or portfolio of projects, other discrete program, or series of actions undertaken to implement or continue the execution of a strategy.”

Source: (Why Good Strategies Fail: Lessons for the C-suite by The Economist Intelligence Unit and PMI)

Strategy needs implementation



Leadership needs to formulate the strategy.

- But how is the strategy implemented or executed?
- How do the initiatives become reality?
- Creating the execution plan is difficult, but certainly necessary and productive. Strategy is only as good as the execution behind it.

Business Situation

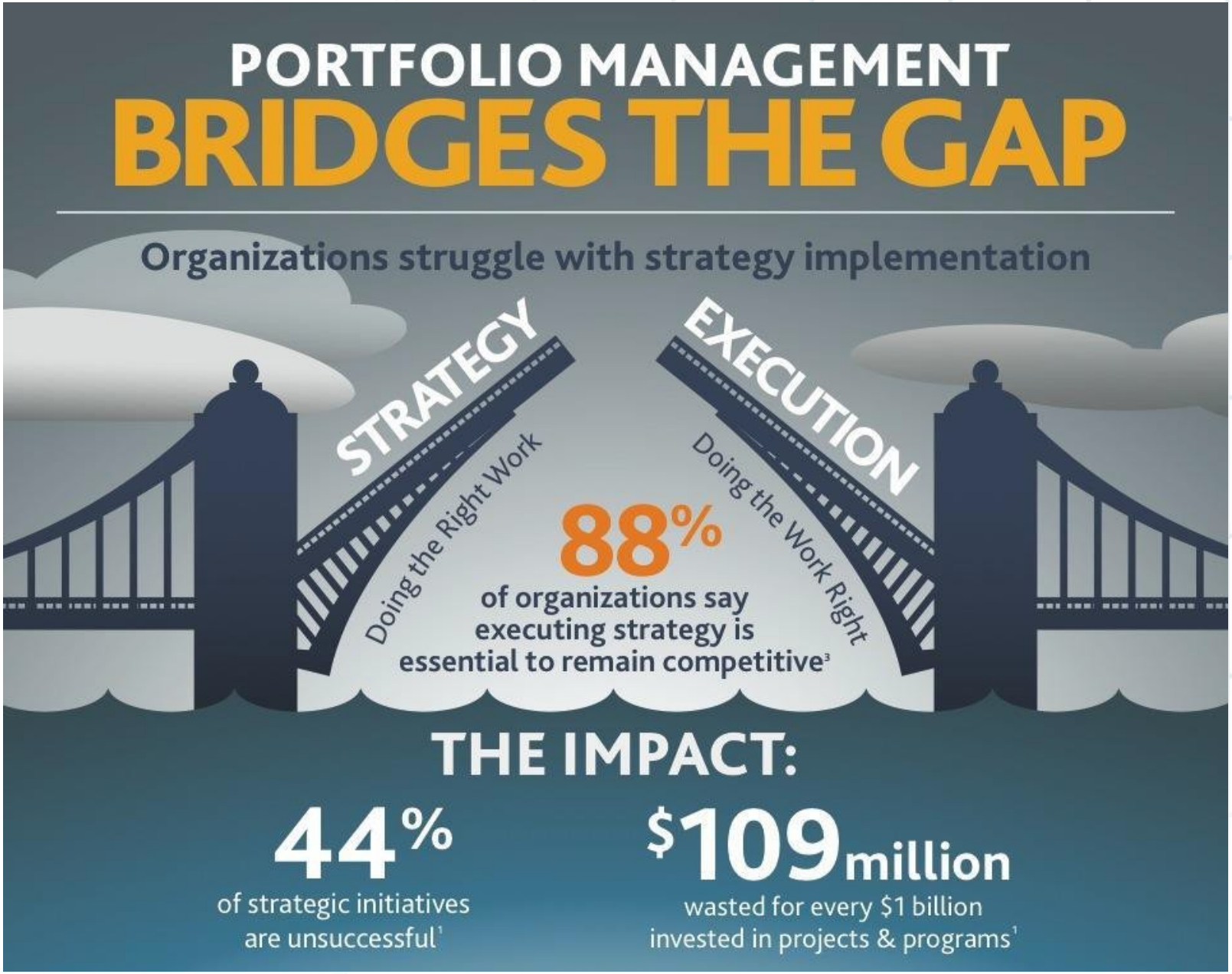
Companies are surprising bad at executing strategy.

- **61%** percent of executives / senior managers admit that their firms often struggle to bridge the gap between **strategy formulation and** its day to day **implementation**
- On average only **56%** of strategic initiatives have **been successfully implemented** in the last three years.
- One respondent stated: Strategy isn't followed as closely as it should be. We often tend to formulate a strategy only to go in the opposite direction."

Source: Economist Intelligence Unit - Why Good Strategies Fail: Lessons for the C-Suite

How Can Alignment be Achieved?

Portfolio Management


PORTFOLIO MANAGEMENT
BRIDGES THE GAP
Organizations struggle with strategy implementation
STRATEGY
Doing the Right Work
EXECUTION
Doing the Work Right
88%
of organizations say executing strategy is essential to remain competitive[3]
THE IMPACT:
44%
of strategic initiatives are unsuccessful[1]
$109 million
wasted for every $1 billion invested in projects & programs[1]

Portfolio Management

"What organizations do is not necessarily unique, how they do it becomes their competitive advantage …. It is essential you actively manage your portfolio of strategic initiatives through risk and investment decisions and through a sharp focus on strategy implementation to succeed. Organizations with **mature project portfolio management** practices **complete 35% more** of their programs successfully. **They fail less often** and **waste less money.**"

Source: Foreword, Mark Langley, (PMI CEO) of the Thought Leadership Series Report "Delivering

Portfolio Management

- Portfolio. Projects, programs, sub-portfolios, and operations managed as a group to achieve strategic objectives. (1)
- Portfolio Management. The centralized management of one or more portfolios to achieve strategic objectives. (1)
- Portfolio Management enables executive management to meet organizational goals and objectives through efficient decision making on portfolios, projects and operations. (1)
- It includes interrelated organizational processes by which an organization evaluates, selects, prioritizes, and allocates its limited internal resources to best accomplish organizational strategies…” (1)

1.) Source: Standard for Portfolio Management, 3rd Edition

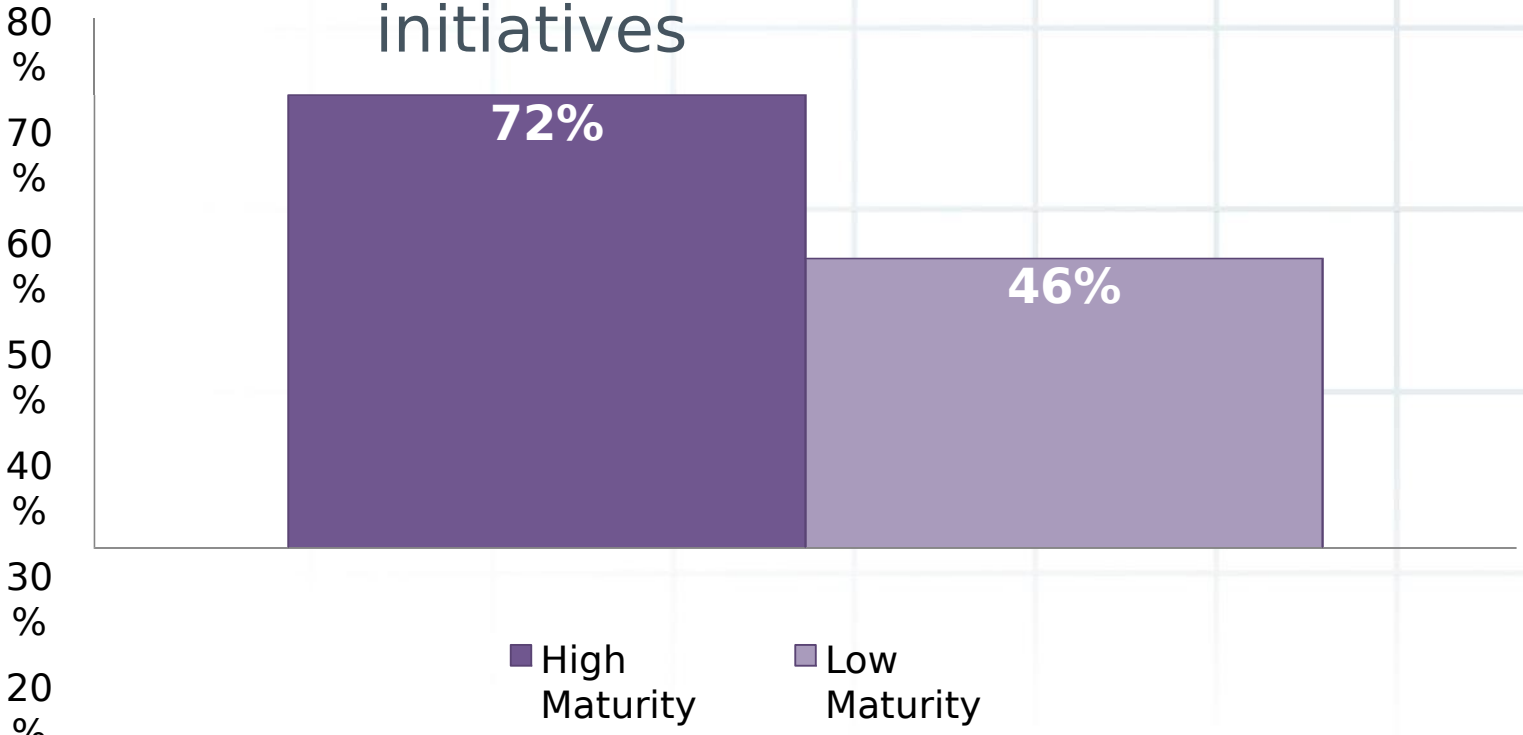
GAO Report on DoD, “We can improve”

- DOD Is Not Using an Integrated Portfolio Management Approach to Optimize Its Weapon System Investments at the Enterprise Level
- DOD’s Stove-Piped Governance Structure Is an Impediment to Portfolio Management
- DOD Lacks Sustained Leadership to Implement Portfolio Management
- DOD Lacks a Portfolio Management Policy That Reflects Best Practices
- Perceived lack of enterprise-level decision making authority over the services is an impediment to Portfolio Management
- DOD does not conduct integrated enterprise-level portfolio reviews
- Joint Staff reviews to date have varied in content and quality
- AT&L’s Portfolio Review Initiative Has Resulted in Few Reviews
- CAPE Does Not Conduct Regular Portfolio Reviews
- Lack of Resources and Analytical Tools Limits DOD’s Ability to Effectively Conduct Portfolio Reviews
- *Military Service Portfolio Reviews Offer Lessons for DOD, but Could Be Improved*

Source: GAO Report to Congressional Committees dated August 2015. “Weapons System Acquisition, Opportunities Exist to Improve the DoD’s Portfolio Management”

The Effect on Strategic Initiatives

Portfolio Management maturity more likely to result in successful strategic initiatives



Source: PMI Pulse of the Profession 2014 – The High Cost of Low Performance

The Benefits of Portfolio Management

Source: PMI Thought Leadership Series Report. "Implementing the Project Portfolio, A Vital C-Suite Focus

The Value of the Portfolio Management

- An organization's products, services, operations and maintenance demonstrate where it is now.
- The portfolio shows where the organization is going.
- Portfolio management helps create a blueprint toward that vision.

	Highly effective at portfolio management	Minimally effective at portfolio management	% Increase
AVERAGE PERCENTAGE OF PROJECTS:			
Completed on time	68%	50%	36%
Completed on budget	64%	54%	19%
Met original goals and business intent	77%	65%	18%
Met/Exceeded forecasted ROI	62%	48%	29%

Source: PMI Pulse of the Profession In-Depth Report – Portfolio Management

Portfolio Management

- Create & communicate a sufficiently detailed strategy. (1)
- Connect project execution to strategy fulfillment. [Elevate communication to the top in terms they can understand]. (2)
- Seek Simplicity. (2)
- Create a portfolio minded culture. (2)
- Create an environment supportive of success (leaders must commit portfolio management). (1)
- Engage, but keep to the big picture. [Elevate discussion]. (1)
- Project resourcing and termination require attention. (1)

1 Source: Implementing the Project Portfolio: A Vital C-Suite Focus

2 Source: The Power of Project Portfolio Management

Overview of the Credential

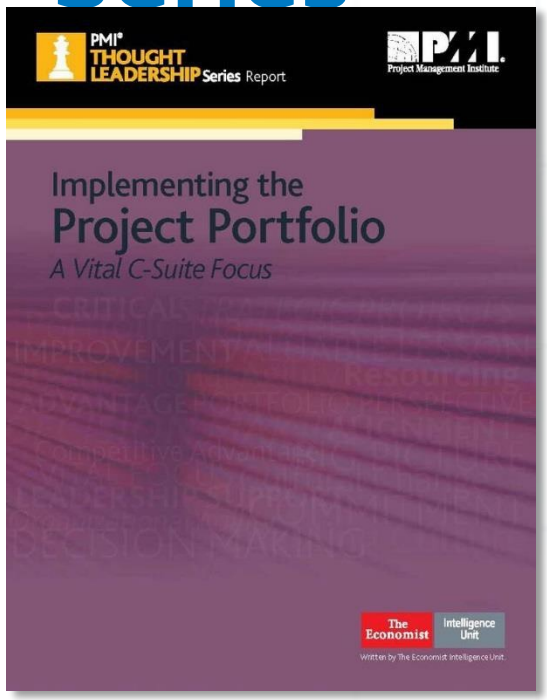
- The PfMP credential recognizes advanced experience, skill and performance necessary to manage and align a portfolio of projects and programs to realize organizational strategy and objectives. Below Exam Cor

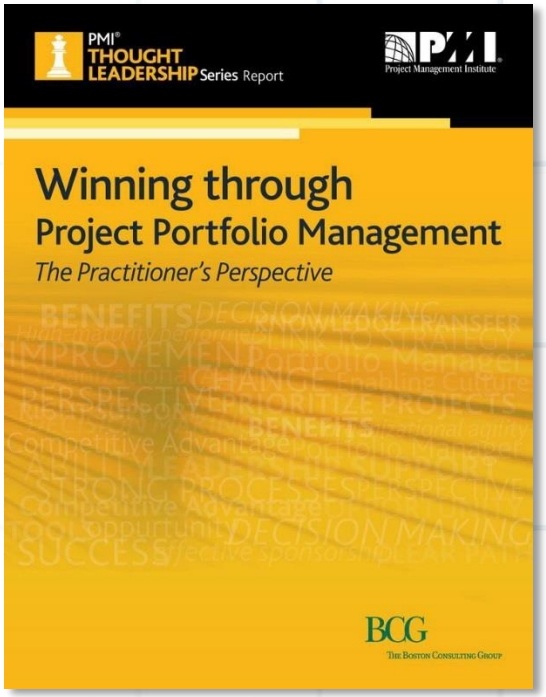
Domain	Percentage of Exam
Strategic Alignment (8 tasks)	25%
Governance (5 tasks)	20%
Portfolio Performance (10 tasks)	25%
Portfolio Risk Management (6 tasks)	15%
Communications Management (6 tasks)	15%

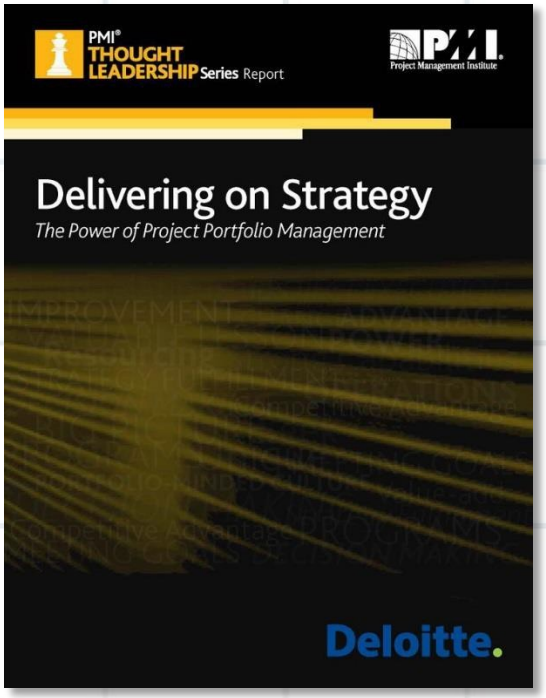
More About the PfMP

Requirement	Description
Minimum Experience	4 years portfolio, 8 years business
Evaluation	Evaluation 1: Panel review of 5 experience summaries Evaluation 2: Examination • 170 multiple choice questions • 4 hours
Exam Prep	• Exam Content Outline • Certification Handbook • PfMP Reference List • Resources available through PMI.org
Fees	$800 PMI member, $1,000 non-member
CCR	60 PDUs within 3 year cycle

PMI Thought Leadership Series







Right click on these reports and select “open hyperlink” to go directly to them o

Wleadebrsshipteserieforstuhenpdowaerlopfpmortfo.olioMganagedmenclick on “Learning”

PMO Symposium

- PMO Symposium, provided by PMI, is a unique educational and networking business event for leaders who direct an organization's portfolio of projects and programs.
- As a participant, you'll benefit from a behind-the-scenes look into proven strategies and practices that drive success for some of the world's leading PMOs.
- Complete on line form to find out what you missed at the 2015 PMO Symposium - get early updates on the 2016 event.
- 800 people, more than 450 organizations from over 30 countries were represented at the 2015 PMO Symposium.
- Maximize the knowledge brought back to your organization by attending PMO Symposium with your

PMI Resources

- There are 7 other Certifications in addition to PfMP
- 18 Standards, including but not limited to:
  - The Standard for Portfolio Management (ANSI)
  - Implementing Organizational Project Management,
    Practice Guide
  - Managing Change in Organizations, Practice Guide
  - Navigating Complexity, Practice Guide
- Web accessible content at PMI.org (see backup slide)

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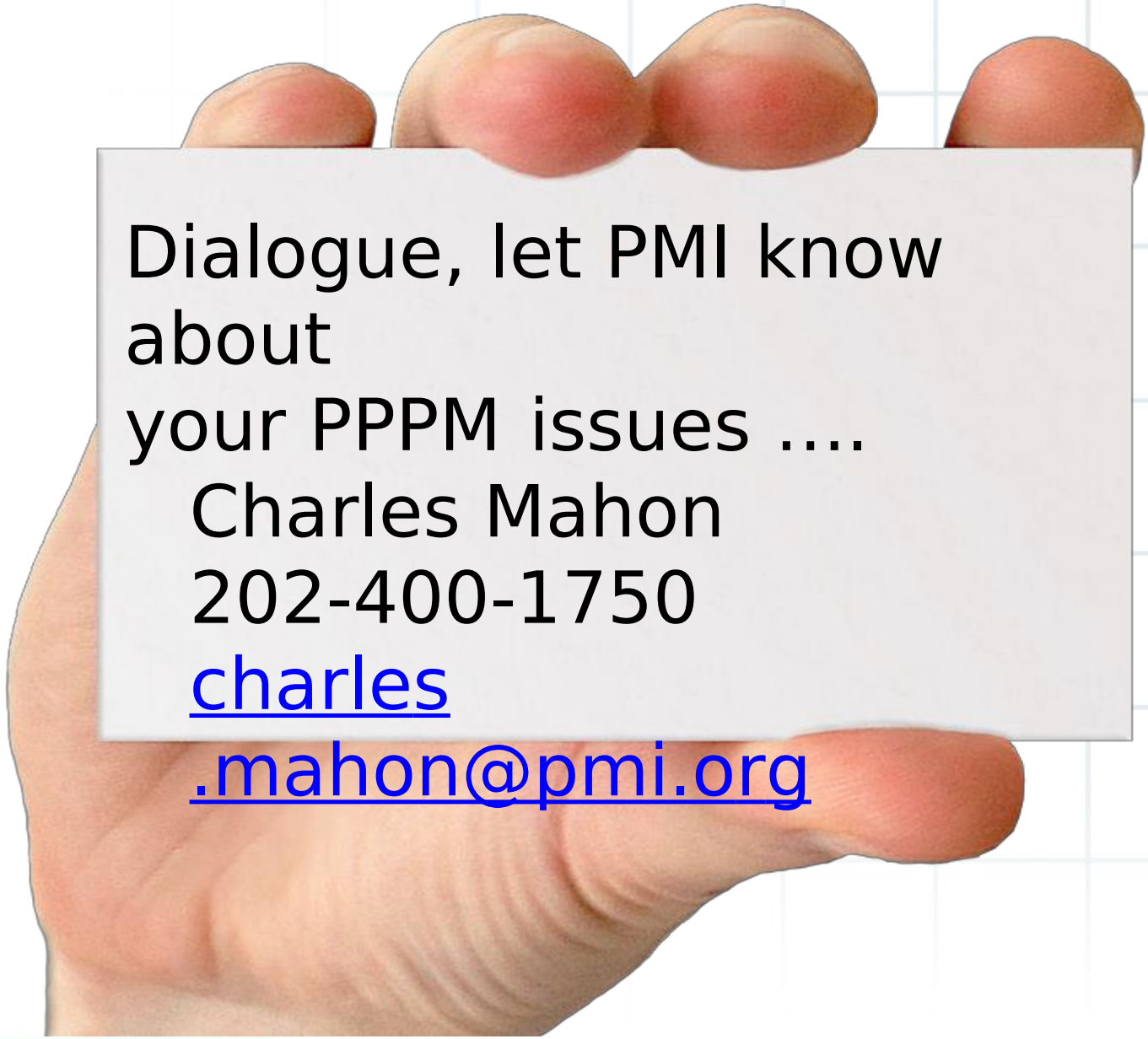

Dialogue, let PMI know about
your PPPM issues ....
Charles Mahon
202-400-1750
charles .mahon@pmi.org

BACKUP AND REFERENCE SLIDES FOLLOW:

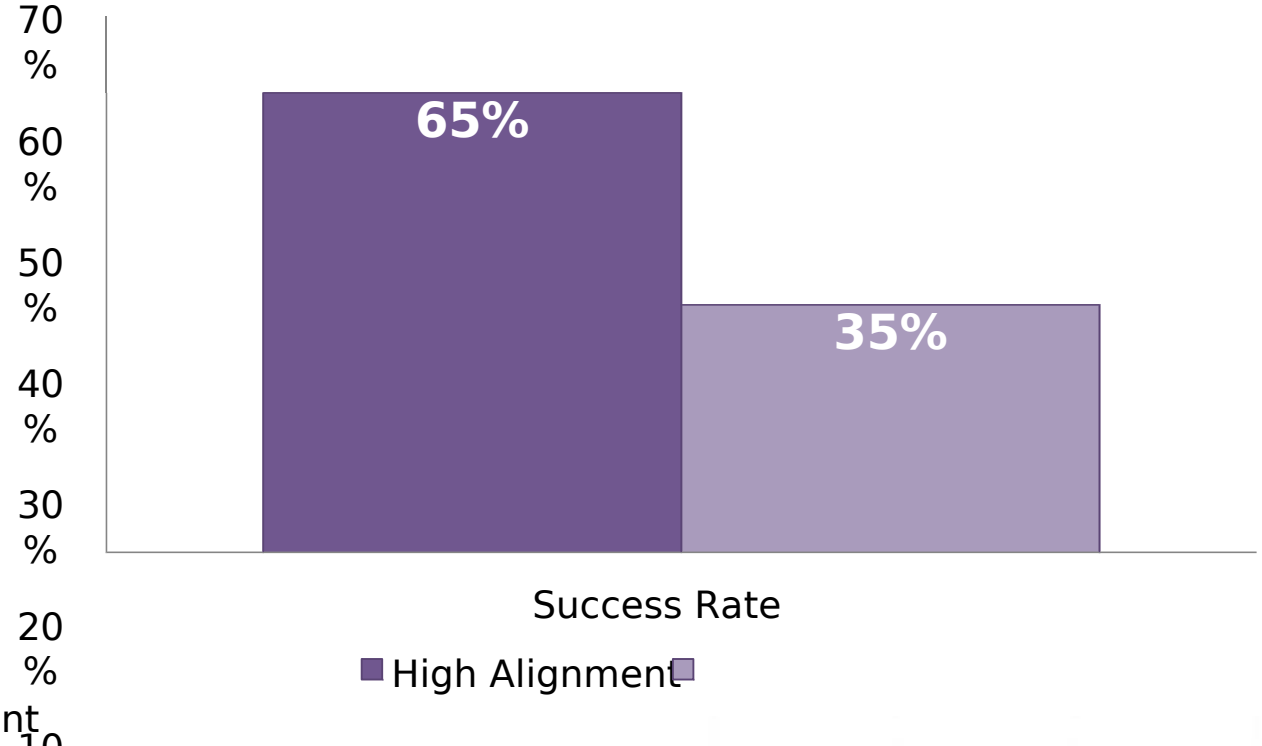
The Impact

- Financial
  - On average $109 million wasted for every $1 billion invested in projects and programs due to poor project performance
    - For organizations with low PPPM maturity - $250M per $1B
    - For organizations with low PPPM maturity - $20M per $ 1B
- Competitiveness
  - 88% say executing strategy is essential/important to remain competitive

Source: PMI Pulse of the Profession 2014 – The High Cost of Low Performance Economist Intelligence Unit - Why Good Strategies Fail: Lessons for the C-Suite

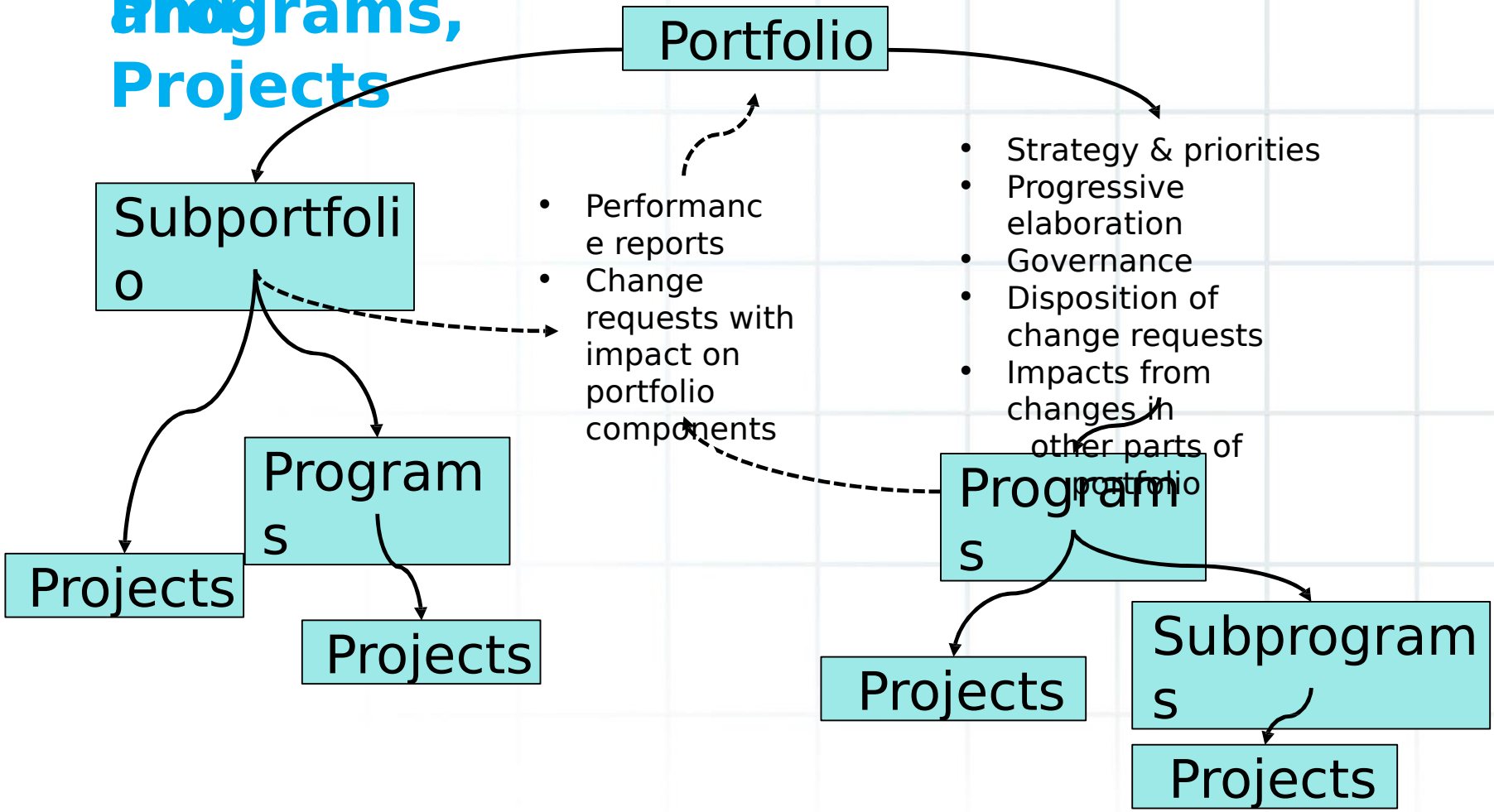
Alignment is the Solution

Organizations must align their investments/work (projects, programs, ops) to strategy in order to be successful.



Source: PMI Pulse of the Profession 2014 – The High Cost of Low Performance

Relationships Among Portfolios, and Programs, Projects



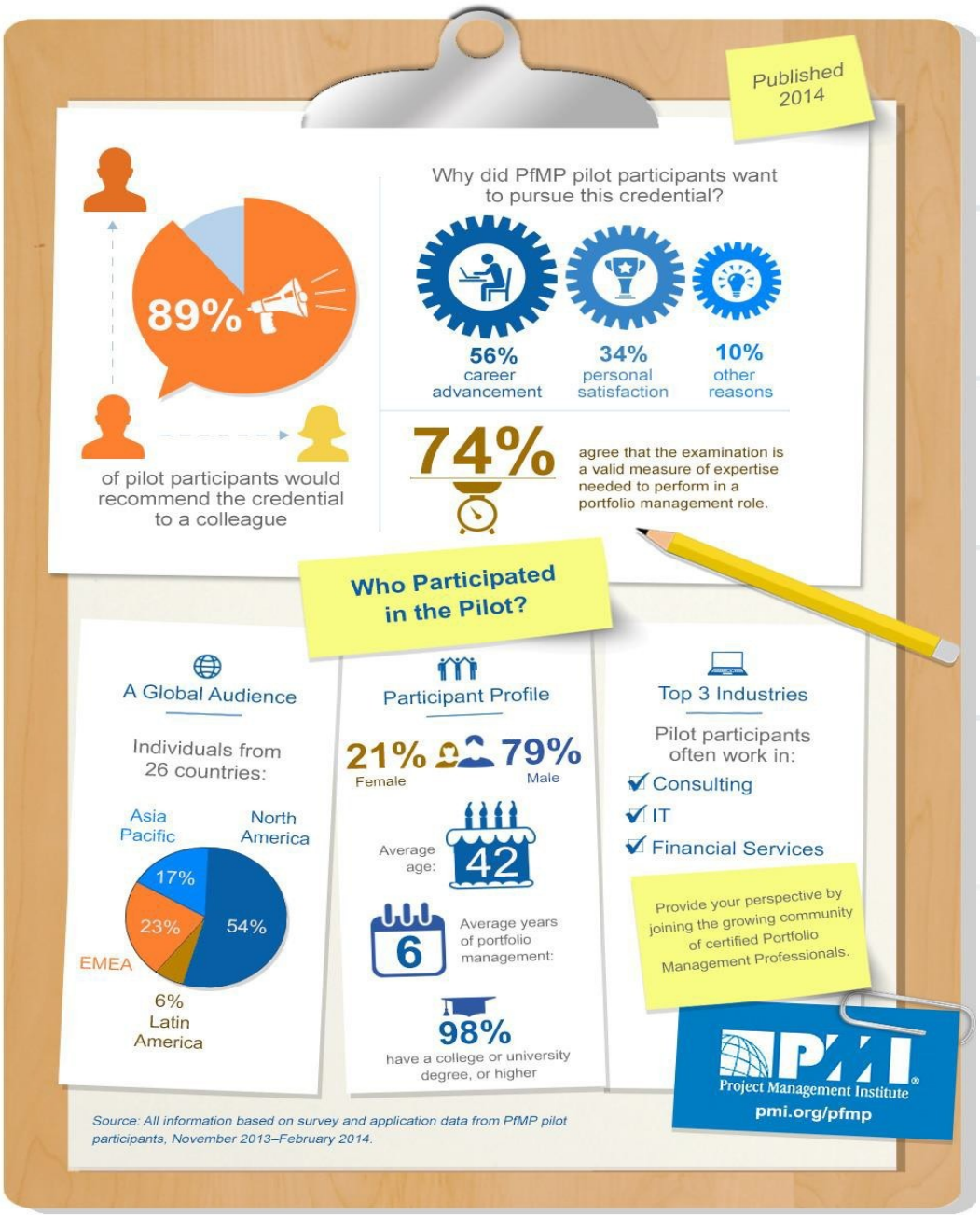
Source: Standard for Portfolio Management, 3rd Edition, Figure 1-2

Drivers of Effective Portfolio Management

The PfMP certification touches on many of these key drivers and helps to demonstrate resources competent in these areas, which can only help to advance the portfolio management practices of an organization.

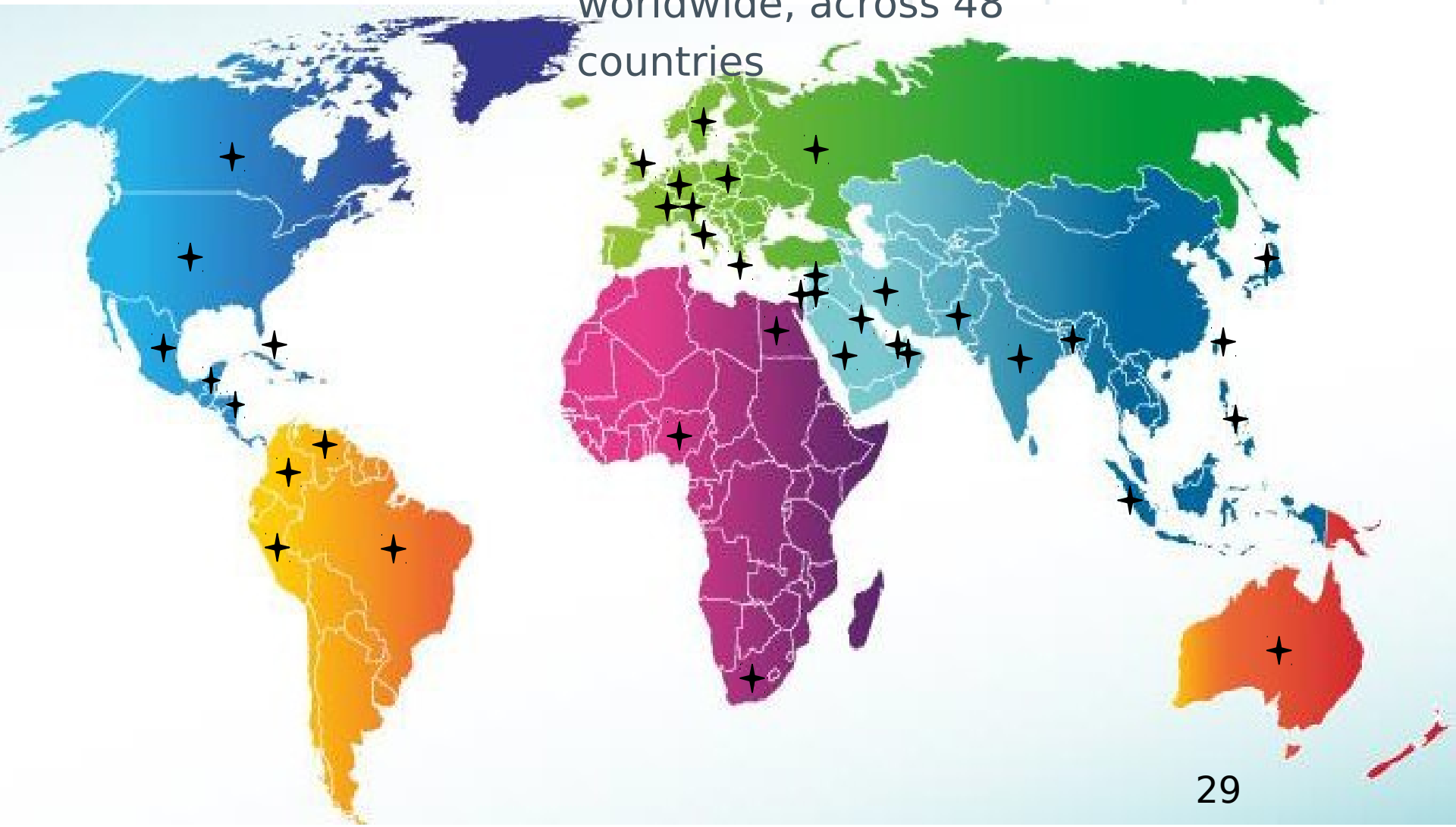
Perspectives on the PfMP®

Get an insider's view of PMI's new Portfolio Management Professional (PfMP)® credential. Find out what those who participated in the PfMP pilot had to say about their experience and why they wanted to earn the credential.


Published 2014
89%
of pilot participants would recommend the credential to a colleague
Why did PfMP pilot participants want to pursue this credential?
56% career advancement
34% personal satisfaction
10% other reasons
74%
agree that the examination is a valid measure of expertise needed to perform in a portfolio management role.
Who Participated in the Pilot?
A Global Audience
Individuals from 26 countries:
Asia Pacific
North America
17%
23%
54%
EMEA
6% Latin America
Participant Profile
21% Female
79% Male
Average age: 42
Average years of portfolio management: 6
98% have a college or university degree, or higher
Top 3 Industries
Pilot participants often work in:
Consulting
IT
Financial Services
Provide your perspective by joining the growing community of certified Portfolio Management Professionals.
Project Management Institute
pmi.org/pfmp
Source: All information based on survey and application data from PfMP pilot participants, November 2013–February 2014.

Current Stats

282 PfMP credential holders worldwide, across 48 countries



*As of March

Practitioner Feedback

Today, portfolio management has emerged at that right time and is now being viewed as the pinnacle of maturity towards establishing a Center of Excellence (COE) to ensure the success of capital dollars are invested for the right things, at the right time, for the right reasons so that resources can be applied to do the RIGHT WORK.

I believe portfolio management is important to organizational success because project results only matter if they help the organization to achieve their strategic objectives.
I see portfolio management as a must-have for any company in the future. It will be simply not possible to compete in long term without the benefits of portfolio management.

The challenge remains that executives still view portfolio management as something they do intuitively and place emphasis on "Just Doing Projects" rather than on really understanding what value they are receiving for the investments they make.

By helping PMI to build the PfMP credential, I contribute to creating awareness and promoting the profession and its associated standards. I encourage all professionals who work in the area of portfolio management to pursue this credential and contribute to the profession so that organizations recognize it and start balancing the focus between efficiency and effectiveness.

2015 PMI Standards Library

2015 PMI Standards Library

Category	Title
PMI Global Foundational Standards / PMI American National Standards	▪ A Guide to the Project Management Body of Knowledge (PMBOK® Guide) ▪ The Standard for Program Management ▪ The Standard for Portfolio Management ▪ Organizational Project Management Maturity Model (OPM3)
PMI Global Practice Standards	▪ Practice Standard for Earned Value Management ▪ Practice Standard for Scheduling ▪ Practice Standard for Project Configuration Management ▪ Practice Standard for Project Risk Management ▪ Practice Standard for Work Breakdown Structures ▪ Practice Standard for Project Estimating
PMI Global Standard Application Area Extensions	▪ Construction Extension to the PMBOK Guide® ▪ Government Extension to the PMBOK Guide® ▪ Software Development Extension to the PMBOK Guide®
PMI Standards Adjunct Products	▪ Project Manager Competency Development Framework ▪ Managing Change in Organizations: a Practice Guide ▪ Navigating Complexity: A Practice Guide ▪ Implementing Organizational Project Management: A Practice Guide ▪ Business Analysis for Practitioners: A Practice Guide ▪ PMI Lexicon of Project Management Terms (not pictured on prior page and is an online resource)

Certifications: Certifications provide Credibility, Transferability, Commitment, and Relevance

Certification	Description
PMP	**The PMP (Project Management Professional)** certification recognizes competence of an individual to perform in the role of project manager, specifically experience in leading and directing projects.
CAPM	**The CAPM (Certified Associate in Project Management)** certification recognizes a demonstrated understanding of the fundamental knowledge, processes, and terminology as defined in the PMBOK Guide that are needed for effective project management performance.
PgMP	**The PgMP (Program Management Professional)** certification recognizes demonstrated experience, skill, and performance in the oversight of multiple, related projects that are aligned with organizational objectives.
PfMP	**The PfMP (Portfolio Management Professional)** certification recognizes the advanced skill needed for the coordinated management of one or more portfolios of projects, programs, or operations to achieve organizational objectives.
PMI-ACP	**The PMI-ACP (Agile Certified Practitioner)** certification recognizes knowledge of agile principles, practices, and tools and techniques across agile methodologies, not simply limiting a practitioner to one agile approach.
PMI-PBA	**The PMI-PBA (Professional in Business Analysis)** certification recognizes highlights expertise in business analysis. It spotlights ability to work effectively with stakeholders to define their business requirements, shape the output of projects and drive successful business outcomes.
PMI-RMP	**The PMI-RMP (Risk Management Professional)** certification recognizes demonstrated knowledge and competency in the specialized area of assessing and identifying project risks along with plans to mitigate threats and capitalize on opportunities.
PMI-SP	**PMI-SP (Scheduling Professional)** certification recognizes demonstrated knowledge and competency in the specialized area of developing and maintaining the project schedule.

Web Accessible Resources at PMI.org

DoD and PMI Agreement and commitment to excellence: The DAU and PMI established a Memorandum of Understanding as a mutual commitment to excellence in learning, research, and strategic collaboration for the best training that builds upon the expertise of both the public and private sector. As part of the contribution, PMI makes available a wealth of information online:

* Publications - Access to PMI's PM Network, PMI Today, PM Journal, and Newsletters. http://www.pmi.org/learning/publications.aspx
* Business and Government - Regardless of your industry or mission, project management is the value driver that helps your organization get the most out its performance. Explore these organizationally related tools. - http://www.pmi.org/Business-Solutions.aspx
* Academic Research - PMI Academic Resources works to advance the profession through research and education programs, informing the practice of project management and the real-world application of research results. http://www.pmi.org/learning/publications.aspx
* Pulse of the Profession® is PMI's annual global survey of project, program and portfolio managers that charts the major trends in project management. http://www.pmi.org/learning/pulse.aspx
* In Depth Reports - Throughout the year PMI takes a closer look at critical topics originating in the Pulse reports in our In-Depth Report series. http://www.pmi.org/learning/thought-leadership.aspx
* Thought Leadership Series - Topics include portfolio management, talent management, and PMOs. The reports, which provide excellent executive-level insights, were developed in collaboration with consultants such as the Economist Intelligence Unit, The Boston Consulting Group and Deloitte. http://www.pmi.org/learning/thought-leadership.aspx
* Case Studies - Our collection of case studies highlight how organizations are implementing project management practices and using PMI products, programs or services to fulfill business initiatives and overcome challenges. http://www.pmi.org/Business-Solutions/OPM3-Case- Study-Library.aspx
* Knowledge Shelf - Knowledge Shelf is a growing resource of articles contributed by project managers to advance the body of knowledge. It's a great place to expand your understanding of different aspects of project management. http://www.pmi.org/learning/knowledge-shelf.aspx
* Standards - PMI global standards provide guidelines, rules and characteristics for project, program and portfolio management. These standards are widely accepted and, when consistently applied, they help you, your global peers and your organization achieve professional excellence. http://www.pmi.org/PMBOK-Guide-and-Standards.aspx [membership needed to download from site; purchase available at the store.]
* Tools & Templates - Templates, deliverables, checklists, and presentations available to members of

Other Reports on Portfolio Management

Obtained from PMI.org

- Strategic Initiative Management, The PMO Imperative.
  (PMI and the Boston Consulting Group)
- Delivering on Strategy, The Power of Project Portfolio Management. (PMI and Deloitte)
- Strategic PMOs Play A Vital Role In Driving Business
  Outcomes. (PMI and Forrester Consulting)
- Why Good Strategies Fail: Lessons for the C-suite.
  (PMI and EIU)
- PMI's Pulse of the Profession® In Depth Report: Portfolio
  Management (March 2012)
- PMI's Pulse of the Profession® In Depth Report: The Impact of PMO's on Strategy Implementation. (Nov

Project Management

- Project: A temporary endeavor undertaken to create a unique product, service, or result
- Project Management. The application of knowledge, skills, tools, and techniques to project activities to meet project requirements.

Source: PMI Lexicon of Project Management Terms

Program Management

- Program. A group of related projects, subprograms, and program activities that are managed in a coordinated way to obtain benefits not available from managing them individually.
- Program Management. The application of knowledge, skills, tools, and techniques to a program to meet the program requirements and to obtain benefits and control not available by managing project individually.

Source: PMI Lexicon of Project Management Terms